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**Metropolitan Estate and  
Property Corporation Limited**

**Annual Report  
and Accounts 1970**





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Metropolitan Estate and  
Property Corporation Limited

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Chairman's Statement  
Directors' Report and Accounts  
for the Year ended  
30th September 1970



# Officers of the Company at 30th September, 1970

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## **Board of Directors**

Sir Charles E. M. Hardie, C.B.E., F.C.A., *Chairman*  
A. Kennedy Kisch, M.A., *Deputy Chairman*  
R. H. Sheppard, F.R.I.C.S., *Managing Director*  
R. J. Dickinson, M.A.  
W. E. Philp, F.R.I.C.S.  
J. C. Hawkes, F.R.I.C.S.  
M. R. Creasey, F.R.I.C.S.  
Bernard Dufton, F.C.A.  
The Hon. Angus Ogilvy  
P. A. Anker, F.R.I.C.S.  
W. M. Balch, F.R.I.C.S.  
R. G. Dashwood, M.A., F.R.I.C.S.  
N. E. Knifton, F.R.I.C.S.

## **Secretary and Registered Office**

A. L. Crowe, F.C.A.  
Brook House, 113 Park Lane, London, W1Y 4AY

## **Auditors**

Thomson McLintock & Co.  
Chartered Accountants, 33 King William Street, London, EC4R 9EE

## **Registrars and Transfer Office**

Barclays Bank Trust Company Limited  
P.O. Box 123, 2 London Wall Buildings, London, EC2P 2BU

## **Bankers**

Barclays Bank Limited  
Lloyds Bank Limited  
National Westminster Bank Limited





Centennial House and Chateau 100, Winnipeg,  
developed by M.E.P.C. Canadian Properties Limited.





Shop and office development —  
Bond Street/Albion Street, Leeds.



# Notice of Meeting

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Notice is hereby given that the Annual General Meeting of the Company will be held at The Dorchester Hotel (Orchid Room), Park Lane, London, W.1, on Thursday, 31st December, 1970, at 12 noon for the following purposes:

## Ordinary Business

1. To receive and adopt the Balance Sheet and Statement of Accounts as at 30th September, 1970, and the Report of the Directors thereon.
2. To declare a Final Dividend on the Ordinary Share Capital.

To re-elect Directors:

3. Mr. A. Kennedy Kisch, M.A.
  4. Mr. J. C. Hawkes, F.R.I.C.S.
  5. Mr. M. R. Creasey, F.R.I.C.S.
  6. Mr. R. G. Dashwood, M.A., F.R.I.C.S.
  7. Mr. N. E. Knifton, F.R.I.C.S.
  8. Sir Charles E. M. Hardie, C.B.E., F.C.A.
9. To authorise the Directors to fix the remuneration of the Auditors.

## Special Business

As special business, to consider and if thought fit pass the following Resolution as a Special Resolution:

10. That forthwith upon decimalisation becoming effective on and from the appointed day as defined by the Decimal Currency Act, 1967 the Ordinary Shares of 5s. each in the capital of the Company shall be known as Ordinary Shares of 25p each and the Articles of Association shall be amended by the substitution of the symbol "25p" for the symbol "5s" wherever it appears therein.

A Member of the Company who is entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote in his stead. A proxy need not be a Member of the Company.

By Order of the Board

**A. L. Crowe, Secretary.**

London, W.1.

8th December, 1970

These Accounts are sent to Preference, Debenture and Loan Stockholders for information only. They are not entitled as a right to attend or vote, either in person or by proxy, at the above-mentioned meeting.

# Report of the Directors for the year ended 30th September, 1970

To be presented to the Annual General Meeting of the Company at The Dorchester Hotel (Orchid Room), Park Lane, London, W.1, on 31st December, 1970.

	£	£
<b>Financial Results and Dividends</b>		
The net profit, before deducting taxation, amounts to		9,065,351
Less Taxation as shown in the Revenue Account		3,836,239
		<hr/>
Net profit after taxation		5,229,112
Less Profit attributable to outside interests in subsidiaries		235,414
		<hr/>
		4,993,698
Appropriated to reserves:		
Overseas properties reserve	238,562	
Profit on dealing, after taxation	166,887	
	<hr/>	<hr/>
		405,449
		<hr/>
		4,588,249
Dividends paid or payable for the year:		
Preference	97,543	
Ordinary:		
Interim (5%) paid 24th June, 1970.	1,210,396	
Proposed Final (12%) payable 31st December, 1970	2,904,941	
	<hr/>	<hr/>
		4,212,880
		<hr/>
		375,369
		<hr/>
Balance brought forward from previous year		1,482,402
		<hr/>
Balance to carry forward		£1,857,771

## Activities

The business of the group is property investment and development and dealing, with the exception of the undermentioned minor subsidiary companies which were acquired in connection with property transactions:

Jeffery, Sons & Company, Limited (Furnishing Trade)  
King's Head Hotel (Darlington) Limited  
T. M. Locke Limited (Furnishing Trade)

## Issues of Loan Capital

During the year ended 30th September, 1970, £7,615,556 of 8% Unsecured Loan Stock 2000/5 and £16,045,532 of 5% Convertible Unsecured Loan Stock 1989/94 were issued in part consideration for the acquisition of the entire share capital of The London County Freehold and Leasehold Properties Limited.

## Issues of Share Capital

The following issues of share capital were made during the year ended 30th September, 1970:—

- 6,766,781 ordinary shares of 5s. each to members of the company on the register at the close of business on 24th November, 1969, in the proportion of one new ordinary share for every ten ordinary shares held by them on the said date.
- 391,810 ordinary shares of 5s. each at 9s. 6½d. per share on 31st December, 1969 to the Prudential Assurance Company Limited upon the exercise of conversion rights attaching to £1,870,000 of 6¾% First Mortgage Debenture Stock 1977/2000.
- 22,005,300 ordinary shares of 5s. each in part consideration for the acquisition of the entire share capital of The London County Freehold and Leasehold Properties Limited.

## Property Valuation

Messrs. Jones Lang, Wootton and Knight Frank & Rutley, leading firms of surveyors and valuers, were instructed to undertake a thorough, independent review of the valuations of the Group's properties at 30th September, 1970. On the basis of this review (together with a directors' revaluation of the Group's properties in Canada and the interests in Associated Companies) the directors are of the opinion that the properties, developments, and interests in Associated Companies of the Group have an attributable value (after deducting minority interests) of not less than £65m in excess of the values appearing in the Group Balance Sheet.



# Report of the Directors (continued)

## Directors

The names of the directors of the company on 30th September, 1970 are set out on page 2. Mr. J. Scrimgeour, C.M.G., O.B.E., who was a director of the company at the beginning of the financial year retired from the board on 31st December, 1969. Mr. R. G. Dashwood, M.A., F.R.I.C.S., and Mr. N. E. Knifton, F.R.I.C.S., who were appointed directors on 17th February, 1970 retire from the board in accordance with the provision in the articles of association and offer themselves for re-election. The directors retiring by rotation in accordance with the provisions of the articles of association are Mr. A. Kennedy Kisch, M.A., Mr. J. C. Hawkes, F.R.I.C.S., Mr. M. R. Creasey, F.R.I.C.S., and Sir Charles E. M. Hardie, C.B.E., F.C.A., who offer themselves for re-election.

## Directors' Interests in Shares and Loan Stocks of the Company

The interests of the directors in shares and loan stocks of the company and its subsidiaries are set out below. They include such family interests as are required by the Companies Act 1967.

M.E.P.C. LIMITED		Ordinary	4½% Preference	5¾% Debenture Stock 1984/89	8% Unsecured Loan Stock 2000/5	5% Convertible Unsecured Loan Stock 1989/94
Sir Charles Hardie	(a) *	17,600	—	—	—	—
	(b) *	16,000	—	—	—	—
Sir Charles Hardie (non-beneficial holding)	(a)	1,623	—	—	—	—
	(b)	1,476	—	—	—	—
A. Kennedy Kisch	(a)	136,341	—	—	—	£51,916
	(b)	114,857	—	—	—	£49,460
R. H. Sheppard	(a)	18,150	£500	£1,000	—	£1,000
	(b)	22,500	£500	£1,000	—	£2,000
R. H. Sheppard (non-beneficial holding)	(a)	7,700	—	—	—	£1,000
	(b)	—	—	—	—	—
R. J. Dickinson	(a)	41,750	—	—	—	—
	(b)	40,250	—	—	—	—
R. J. Dickinson (non-beneficial holding)	(a)	317,707	—	—	—	£14,630
	(b)	315,600	£1,000	—	—	£15,937
W. E. Philp	(a)	2,200	—	—	—	£933
	(b)	2,000	—	—	—	£933
J. C. Hawkes	(a)	104,213	—	—	£50	£7,375
	(b)	89,817	—	—	£50	£6,000
J. C. Hawkes (non-beneficial holding)	(a)	1,540	—	—	—	—
	(b)	1,400	—	—	—	—
M. R. Creasey	(a)	958	—	—	—	—
	(b)	762	£325	—	—	—
B. Dufton	(a)	4,400	—	£1,000	—	£3,000
	(b)	4,000	—	£1,000	—	£1,700
The Hon. Angus Ogilvy (non-beneficial holding)	(a)	2,000	—	—	—	—
	(b)	2,000	—	—	—	—
P. A. Anker	(a)	2,317	—	—	—	£900
	(b)	2,317	—	—	—	£900
P. A. Anker (non-beneficial holding)	(a)	347	—	—	—	—
	(b)	—	—	—	—	—
W. M. Balch	(a)	3,705	—	—	£235	£131
	(b)	5,704	—	—	£235	£2,660
R. G. Dashwood	(a)	17,905	—	—	—	£13,055
	(b)	17,905	—	—	—	£13,055
N. E. Knifton	(a)	2,700	—	—	£375	£875
	(b)	1,200	—	—	£375	£875

\* (a) at 30th September, 1970.

\* (b) at 1st October, 1969 (or later date of appointment as director).



# Report of the Directors (continued)

## Directors' Interests in Shares and Loan Stocks of the Company— *continued*

### M.E.P.C. CANADIAN PROPERTIES LIMITED

		Common Shares of No Par Value	Preference Shares \$25 each	6½% First Mortgage Bonds 1982	8% Sinking Fund Debentures
Sir Charles Hardie	(a) *	3,815	—	—	—
	(b) *	815	—	—	—
R. H. Sheppard	(a)	100	—	—	—
	(b)	—	—	—	—
R. J. Dickinson	(a)	501	—	—	—
	(b)	501	—	—	—
P. A. Anker	(a)	5,650	250	\$6,000	\$3,000
	(b)	5,650	250	\$6,000	\$3,000
The Hon. Angus Ogilvy	(a)	50	—	—	—
	(b)	50	—	—	—

In addition to the above, at 30th September, 1970, Mr. P. A. Anker had options to purchase 5,000 common shares at \$4.50 per share not later than 31st July, 1974.

### M.E.P.C. STILLORGAN LIMITED

(a subsidiary of M.E.P.C. (Ireland) Limited)

		Ordinary Shares of £1 each
A. Kennedy Kisch	(a)	12,500
	(b)	12,500

\* (a) at 30th September, 1970

\* (b) at 1st October, 1969 (or later date of appointment as director).

## Employees and Remuneration

The average number of persons employed by the group in the U.K. during the year ended 30th September, 1970 was 1,482 and the aggregate remuneration payable for the year was £1,395,216.

## Charitable Contributions

Contributions for charitable and similar purposes made by the group amounted to £2,680. The company did not make any contributions for political purposes.

## Auditors

The auditors, Messrs. Thomson McLintock & Co. have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting concerning their remuneration.

## Finance Act, 1965

The Company is not a close company for the purposes of the Finance Act, 1965.

For the purposes of capital gains tax the values of the company's ordinary shares, preference stock and securities as at 6th April, 1965 are set out below. These values have been adjusted for events subsequent to 6th April, 1965, including the acquisitions of The Metropolitan Railway Surplus Lands Company Limited (M.R.S.L.), The London County Freehold and Leasehold Properties Limited (L.C.F.) and the 1 for 10 scrip issue on 22nd December, 1969.

	per share s. d.
Ordinary shares	8 10·36
Held on 6th April, 1965	
Issued in exchange for:	
M.R.S.L. shares held on 6th April, 1965	18 9·34
L.C.F. ordinary stock held on 6th April, 1965	11 1·54
4½% Preference stock	
Held on 6th April, 1965	12 6
	per £100 nominal £
Debenture stocks	
4% First mortgage debenture stock 1996 held on 6th April, 1965	63·000
5½% First mortgage debenture stock 1984/89 held on 6th April, 1965	85·000
Loan stocks	
8% Unsecured loan stock 2000/5 issued in exchange for:	
M.R.S.L. shares held on 6th April, 1965	94·534
L.C.F. ordinary stock held on 6th April, 1965	41·100
L.C.F. preference stock held on 6th April, 1965	81·944
5% Convertible unsecured loan stock 1989/94 issued in exchange for L.C.F. ordinary stock held on 6th April, 1965	46·790

By Order of the Board

**A. L. Crowe, Secretary**

8th December, 1970



# Statement by the Chairman

This year I would like to deal with my Annual Statement in two parts. First of all, to cover the results, Balance Sheet position and prospects of the Group. Secondly, I will place on record the up-to-date position regarding the future structure and ownership of your company.

## Profits

The profits have risen from £5,692,000 before taxation in 1968/1969 to £9,065,000 for 1969/1970. This increase arises not only on account of the progressive improvement in income from the Group's properties overall, but also on account of the inclusion for the first time of the net income (after charging £1,412,000 interest on Loan Stocks issued to their shareholders) from The London County Freehold & Leasehold Properties Limited (L.C.F.) which was acquired during the year, on advantageous terms as I shall mention later. The real test of profitability is the increase in the earnings on the Ordinary Share Capital (which has risen from £2,692,000 to £4,657,000 during the year). The yield achieved on the Ordinary Shares was at the rate of 19.2% per annum compared with 14.5% and therefore provides sound cover for the proposed total dividend of 17% which itself shows an increase of 44% over the previous year. This reflects a firm achievement on behalf of your company's management, headed by Mr. Sheppard.

## Balance Sheet

The Balance Sheet reflects not only the increase in Share Capital and Loan Stock issued upon the acquisition of L.C.F., but also on the assets side, the properties of that company which are now incorporated. The Group's properties are still stated on the basis of previous valuations or cost and do not incorporate the uplift of £65m in current value referred to in my letter to shareholders of 6th November 1970. You will remember that this indicated the net current asset value per 5s. Ordinary Share at 36s. per share.

## Finance

The Group remains in an extremely strong financial position on account of two factors. In the first place, the cash proceeds of the issue of £31.6m of 5% Convertible Unsecured Loan Stock 1989/94, issued early in 1969 have not yet been fully invested, but I should emphasise that they are fully earmarked to meet current commitments of property acquisition and development in accordance with the policy set out at the time of issue of the stock in question.

In the second place, the policy of disposing of residential property owned by L.C.F., is progressing and the proceeds of these sales, and of certain properties of M.E.P.C. not compatible with its overall investment policy, have continued to bolster liquid resources. These, of course, are temporarily invested on the money market at advantageous yields as reflected in the Profit and Loss Account.

It is estimated that, having regard to existing investment and development plans, the present cash resources of the Group are sufficient to cover its requirements for several years without necessity for further borrowing in the United Kingdom. It is some source of satisfaction therefore that the funds were raised at an advantageous time, having regard to the recent and foreseeable trend in long-term borrowing rates. I am glad to say our overseas companies are self-financing as of course, there are restrictions on remittances, from this country to the areas in question, Canada, Australia and Ireland.

## The London County Freehold and Leasehold Properties Limited

As I have mentioned above, the acquisition of L.C.F. (as with the previous acquisition, The Metropolitan Railway Surplus Lands Company Limited) has proved to have been on terms most advantageous to shareholders, despite the fact that there was a skilfully conducted competitive bid. In brief, the consideration for L.C.F. in terms of the share and stock issued was at the time £48m, but it is now proven that the net worth of that company is very considerably in excess of that figure. This arises from the policy declared at the time to dispose of residential properties at low yields making the proceeds available for investment in properties more suitable for M.E.P.C. at a very much higher yield. As mentioned, this process which will continue, nourishes the liquidity of the Group to cover its development programme and further investment buying. Shareholders will be grateful to our advisers, Hill Samuel & Company Limited, and the brokers, Messrs. J. & A. Scrimgeour and Fielding Newson-Smith & Co., for the excellent advice given over the acquisition.

## Property Investment

M.E.P.C. has continued its policy of regular investment in existing properties and re-development of older properties. The gross investment during 1969/1970 in the United Kingdom amounts to £12.2m i.e., about a million a month. Overseas, mainly in Canada, investment has totalled £7.8m. The growth of M.E.P.C. has resulted in the main from this investment policy and also the benefit of reversions of leases within its portfolio. New purchases often comprise properties with early reversion, the benefits of which are enhanced by a programme of modernisation where necessary.

M.E.P.C. has wide connections in the property world, the ability to make quick decisions with prompt settlement and Regional Offices to provide local knowledge and rapid surveys. It is the combination of these factors which has enabled your Company to take advantage of profitable investment opportunities, in a very competitive field, as evidenced by last year's achievement.

There is a trend in property companies to disregard amortisation of leasehold properties on the ground that it is unreasonable to make an annual charge against Revenue for the diminution in value of property when due to inflation and other factors the value of the asset is increasing. Your Board are perhaps, over-conservative in



## Statement by the Chairman (continued)

accounting in that provision is made for amortisation on all leasehold property having less than 50 years unexpired and there is a charge against the profits for 1970 of £223,000 for this item, equivalent to nearly 1% earnings on the Ordinary capital. Your Board proposes to review this policy during the current year.

### Development Programme

M.E.P.C. has had the reputation of not being heavily involved in a policy of developments. This is true in the sense that the great volume of investments achieved in the past and the annual rate of investment has overshadowed the volume of completed developments in any one year. In absolute terms, however, M.E.P.C. has a large development programme judged by any standards. This is currently estimated to cost some £79m in the United Kingdom and overseas. We are conducting a large business in this field with a steady programme coming to fruition in the coming years, where of course, the completed developments change their character and are transferred to the investment portfolio. Shareholders should not feel therefore, that there is any magic in the merits of development as against investment, both being designed to achieve via purchase or development, as the case may be, a worthwhile long-term investment. M.E.P.C. has always planned to have the best of both worlds.

### Overseas Activities

M.E.P.C. Canadian Properties Limited has once again had a record year and now has properties recently valued at over Can. \$100m and its profit before tax in sterling terms has reached the £1m mark, i.e., currently one-ninth of the Group pre-tax profit. We are particularly fortunate in our management and Board in Canada for their having achieved a good return on the capital actually subscribed by M.E.P.C. of some £2.5m only, representing a 67½% interest in the publicly quoted Canadian company. This share has now increased since 30th September to 71% by the transfer of the Canadian properties of L.C.F.

In Australia, we already have a nucleus of properties owned by The Metropolitan Railway Surplus Lands Company Limited, but on the acquisition of L.C.F. this portfolio was greatly enlarged to a total of £10m. It has been decided to proceed in Australia on the lines of our efforts in Canada with a major development programme. The current programme includes a most notable item being the erection of buildings on a prime site adjacent to Australia Square, Sydney, which is substantially pre-let. We welcome to the Group the Board of our Australian company who are leading professional persons in their own spheres.

In Ireland, the company is showing a satisfactory return on its investment. Further developments are in train, necessarily based on overseas finance owing to the currency restrictions.

With the L.C.F. Group we acquired a Rhodesian property company which made a profit after tax of £61,000. This has conservatively, not been included in the Group results due to the present restrictions on remittances from that country.

### Future Prospects

With our large volume of reversions, and a greater annual increase from our investment and development programme, shareholders can confidently anticipate an increasing rate of dividend in the future.

The future of the Company is of course, bound up with the talents of its executive management. Mr. Dick Sheppard, our Group Managing Director and Mr. Walter Philp, the Managing Director of our development company, still have a number of years service ahead of them, likewise, Mr. Bernard Dufton, our Financial Director. Mr. Gordon Dashwood and Mr. Norman Knifton have joined the parent Board Executive and the former honours the Group as Chairman of the National Association of Property Owners. Mr. Maxwell Creasey (aged 48) has been appointed Assistant Managing Director, and Mr. Peter Anker (aged 41) who looks after our Canadian interests, will soon be taking further responsibilities within the Group. This team has a professional cadre of younger qualified surveyors, all highly-trained in the ways of M.E.P.C. and so it will be seen that the future management has been well-cared for. Mr. Kennedy Kisch must be thanked not only for his part in conducting our Irish company, but for the particular interest he takes in our development programme.

### Future Policy

During 1970, shareholders have been involved in a number of proposals relating to the future of your company and have received a number of communications on the subject with considerable Press publicity, and, indeed, controversy. The Annual Statement is by its nature, a permanent record of each year's history, and it is therefore right that I should put on record a summary of these events brought up to date to the time of printing this Statement.

The forward prospects of M.E.P.C. as a property company became even more firmly established after the acquisition of L.C.F., with a prospect of continued growth at a high rate under the management team which has been developed. It has always been the policy of M.E.P.C. to regard its business as divided into two parts, namely, skilful investment and development in the property field, but this is of no avail unless matched by advantageous financial arrangements to give a net yield, after interest charges, on an increasing scale.

Shareholders will recollect the issue from 1965 to 1969 of £12m 6¾% Debenture Stock 1997/2000 which has formed the backbone for investment in the last five years, and I have already referred to the issue of £31.6m Convertible Loan Stock issued early in 1969 which coupled with the planned sale of residential property of L.C.F., has provided for the first part of the 1970s. This anticipation of requirements prior to investment as opposed to a policy of development and investment with subsequent funding on unknown terms, has proved its worth and many envious eyes are placed upon your company's resources by those who would like to have access to them.



## Statement by the Chairman (continued)

Further exploitation of this highly satisfactory situation has always been the matter of continuous study, leading in the recent past to the two major acquisitions of property companies. The overall effect of the use of the company's finance has been to build up an increasingly large portfolio of totally unpledged property, and how best to use this great borrowing facility has been difficult to decide in the current and foreseeable high trends in long-term interest rates. It would be open, of course, to raise Debenture Stock or Convertible Loan Stock, but the margin of yield under current yields in property investment and development could make this course unattractive.

It was in this background that it was felt necessary to take a much broader view of M.E.P.C.'s future than the usual alternative adopted by other concerns of diversifying into such uncertain activities as contracting, building, hotel construction and the like, which notionally might give a higher yield.

### Hill Samuel Group Limited

With the above background, I considered that I had a duty to place before shareholders and stockholders a proposal fully endorsed by your Board and by independent merchant bankers, J. Henry Schroder Wagg & Co. Limited, who negotiated the terms, to acquire a bank, not only with banking status, but with expertise able to put the equity value of the Group to work over and above the income from property which of course would at all times, predominate. The candidate which presented itself for merger was Hill Samuel Group Limited. The shareholders of M.E.P.C. would have remained predominant partners, and would therefore have retained the main benefit, not only from its property expansion, but also from the great growth in banking activity. The liquid resources of M.E.P.C. would not have become involved in this at all, since by its nature banking receives its deposits and conducts its lending business across the general funds available in the banking market at home and overseas. The net worth of Hill Samuel Group Limited, added to your own, would have been of very large proportions, with an enormous volume of unpledged assets. It was clear therefore, that the borrowing capacity of the combined group not by pledging property, but in the money market, would be very great indeed and have an effect of creating a concern on an altogether greater scale than most financial institutions outside the joint stock banks and the insurance companies.

The initial result would have been that M.E.P.C. retained over 70% of the equity before conversion rights, while Hill Samuel Group Limited would have contributed a greater relative share of profits, some 40%, than their share allocation, having regard to the degree of asset dilution involved. Consequently, your predominant interest in your Company's properties would have been preserved and a profitable banking activity would have been added to the Group.

All this is now a dead matter, and although I do think it was right to have wished to place the idea before shareholders and stockholders, I must apologise for the confusion caused largely on account of the bad presentation of the proposal at the time by myself.

### Commercial Union Assurance Company Limited

The reason the Hill Samuel bid was never placed before shareholders, was of course, that the Commercial Union immediately appreciated the high worth of M.E.P.C. and with alacrity made a proposal in the form of a scheme of arrangement to acquire your holdings in exchange for stock in C.U. and partially in Trafalgar House Investments Limited, in which they had a large shareholding. You will have received details of the proposed scheme, but you will allow me to repeat that shareholders are strongly recommended to reject the proposal. Clearly, if a bid of any sort is greater in value than the current or prospective shareholding, it is the duty of Directors to advise acceptance, but in this case, the exchange suggested is not related to value, but to an exchange into an investment of a completely different nature. You now have shares in a property company with immense asset cover, with a strong income growth prospect, and our advisers, N. M. Rothschild & Sons Limited, have already advised you that in present circumstances, the best plan is for M.E.P.C. to continue as an independent property company. An exchange into the shares of a composite insurance company, which has shown relatively poor profit performance and large underwriting losses, and to a small extent into an investment group in construction and other activities only secondarily in the property business, does not make good sense. Indeed, underlying the whole transaction is the stated intention to strip the shareholders of the C.U. over a period of the properties which it would receive by an acquisition of M.E.P.C. If there was criticism of the watering of your interest as in the Hill Samuel transaction, this is many, many times more justified under the Commercial Union proposals, since it is their stated intention that your interest in the property portfolio would ultimately be reduced to approximately 3% of its present size. Do, therefore, please examine the detailed documents which go to you on this subject, very carefully.

### Conclusion

1969/1970 has been a wonderful growth year for your company and the future prospects are even better. Our Executive Directors and staff of the whole Group deserve great credit for this and for enduring the strains which recent events have necessarily imposed upon them all, and, indeed, upon shareholders. I hope that the C.U. bid will be firmly rejected and that having ventilated our affairs and possibilities, we can now continue as an independent property company.

CHARLES E. M. HARDIE,  
Chairman.



# Consolidated Revenue Account of the Company and Subsidiary Companies for the year ended 30th September, 1970

	1970		1969	
	£	£	£	£
<b>Revenue and charges</b>		21,752,857		10,938,714
Deduct:				
Ground rents on leasehold properties	1,193,591		509,848	
Property outgoings, management and administrative expenses	6,172,245		2,159,501	
		<u>7,365,836</u>		<u>2,669,349</u>
		14,387,021		8,269,365
Sundry investment and other income (Note A)		3,743,130		2,048,603
		<u>18,130,151</u>		<u>10,317,968</u>
Deduct:				
Directors' emoluments (Note B)	159,763		105,842	
Auditors' remuneration	23,045		12,487	
Depreciation of furniture and fittings, office machinery and motor cars	53,385		33,063	
		<u>236,193</u>		<u>151,392</u>
		17,893,958		10,166,576
Interest (Note C)		9,151,165		4,570,354
		<u>8,742,793</u>		<u>5,596,222</u>
Transfer of interest and other expenditure applicable to properties held for or in course of development		545,474		224,915
		<u>9,288,267</u>		<u>5,821,137</u>
Amortisation of leasehold properties (Note E)		222,916		129,008
		<u>9,065,351</u>		<u>5,692,129</u>
<b>Net revenue before charging taxation (Note D)</b>				
Deduct:				
Taxation on revenue for the year (Note F)	3,925,509		2,571,161	
Adjustment in respect of prior years	89,270		36,320	
		<u>3,836,239</u>		<u>2,534,841</u>
<b>Net revenue for the year</b>		5,229,112		3,157,288
Revenue attributable to outside interests in subsidiaries		235,414		201,029
		<u>4,993,698</u>		<u>2,956,259</u>
Deduct:				
Profit on dealing, after tax, transferred to reserve	166,887		53,926	
Appropriated to overseas properties reserve	238,562		166,834	
		<u>405,449</u>		<u>220,760</u>
		4,588,249		2,735,499
Dividends paid or payable for the year				
Preference	97,543		97,543	
Ordinary:				
Interim (5%) paid 24th June, 1970	1,210,396		676,678	
Proposed final (12%) payable 31st December, 1970	2,904,941		1,522,526	
		<u>4,212,880</u>		<u>2,296,747</u>
		375,369		438,752
<b>Unappropriated revenue from previous year (Note G)</b>		1,482,402		1,009,047
<b>Unappropriated revenue carried forward</b>		<u>£1,857,771</u>		<u>£1,447,799</u>



# Notes on Consolidated Revenue Account

	1970	1969
<b>A. Sundry investment and other income</b>		
Dealing profits	£290,238	£98,048
Profit less loss of trading subsidiaries	11,909	— 26,503
Interest and dividends from associated companies	187,154	221,533
Dividends from quoted investments	7,500	7,500
Other interest and dividends	3,097,969	1,748,025
Management fees	148,360	—
	<u>£3,743,130</u>	<u>£2,048,603</u>
The turnover of the trading subsidiaries totalled £581,000 (1969 £711,000)		
<b>B. Emoluments of the directors of the holding company</b>		
Fees	£16,356	£15,700
Emoluments of executive directors	139,207	85,942
Pensions to former directors	4,200	4,200
	<u>£159,763</u>	<u>£105,842</u>
Particulars of directors' emoluments, excluding pension scheme contributions, in accordance with Section 6 of the Companies Act, 1967 are as follows:—		
Emoluments of the chairman	£13,750	£11,750
Emoluments of the highest paid director	17,250	15,500
Other directors:		
Remuneration up to £2,500 p.a.	5	6
Remuneration £2,501 to £5,000 p.a.	1	—
Remuneration £7,501 to £10,000 p.a.	—	3
Remuneration £10,001 to £12,500 p.a.	5	—
The management duty of one director was wholly discharged outside the United Kingdom.		
<b>C. Interest payable</b>		
On debenture stocks and loans not repayable within five years	£7,929,339	£4,102,430
On debenture stocks and loans repayable within five years	420,915	247,988
On bank overdrafts	800,911	219,936
	<u>£9,151,165</u>	<u>£4,570,354</u>
<b>D. Contributions from overseas investment to net revenue before charging taxation</b>		
Canada	£1,216,742	£918,186
Republic of Ireland	186,323	131,011
Australia	509,774	57,372
Zambia	38,472	—
<b>E. Amortisation of leasehold properties</b>		
In 1969 and previous years leasehold amortisation has been charged to revenue account in respect of leasehold investments having less than 100 years to run. In the opinion of the Directors it is more realistic to provide amortisation only on leasehold investments having less than 50 years to run and this basis has been adopted for the year ended 30th September, 1970.		
<b>F. Taxation on revenue for the year</b>		
Corporation tax (42½%)	£3,122,933	(45%) £2,127,734
Overseas taxation	303,576	59,581
Transfer to overseas taxation equalisation account	499,000	383,846
	<u>£3,925,509</u>	<u>£2,571,161</u>
<b>G. Unappropriated revenue from previous year</b>		
Balance at 30th September, 1969	£1,447,799	£1,018,453
Exchange rate adjustment	39,625	—
	<u>1,487,424</u>	<u>1,018,453</u>
Adjustment due to issue of shares in a subsidiary to outside interests	5,022	9,406
Adjusted balance	<u>£1,482,402</u>	<u>£1,009,047</u>
<b>H. The London County Freehold and Leasehold Properties Limited</b>		
The profits of The London County Freehold and Leasehold Properties Limited have been included from 1st October, 1969, with the exception of the Rhodesian Subsidiaries (See Note 4 page 17).		



# Balance Sheet of the Company and Consolidated Balance Sheet of the Company and Subsidiary Companies at 30th September, 1970

	<b>M.E.P.C. LTD.</b>		<b>GROUP</b>	
	1970	1969	1970	1969
	£	£	£	£
<b>Authorised share capital</b>				
Ordinary capital (in shares of 5s. each)	35,000,000	22,500,000		
4½% Cumulative Preference capital (in shares of £1 each)	2,500,000	2,500,000		
	<u>£37,500,000</u>	<u>£25,000,000</u>		
<b>Issued share capital and reserves</b>				
Ordinary capital (fully paid)	<u>24,207,924</u>	<u>16,916,951</u>	<u>24,207,924</u>	<u>16,916,951</u>
Capital reserves (Note 6)				
General	22,712,605	24,399,356	53,662,107	54,602,366
Share premiums	<u>28,579,051</u>	<u>11,440,413</u>	<u>28,579,051</u>	<u>11,440,413</u>
	<u>51,291,656</u>	<u>35,839,769</u>	<u>82,241,158</u>	<u>66,042,779</u>
Revenue reserves				
Dealing profits	399,028	232,141	399,028	232,141
Unappropriated revenue	<u>546,711</u>	<u>738,290</u>	<u>1,857,771</u>	<u>1,447,799</u>
	<u>945,739</u>	<u>970,431</u>	<u>2,256,799</u>	<u>1,679,940</u>
<b>Ordinary capital and reserves</b>	<u>76,445,319</u>	<u>53,727,151</u>	<u>108,705,881</u>	<u>84,639,670</u>
Preference capital (fully paid)	<u>2,167,631</u>	<u>2,167,631</u>	<u>2,167,631</u>	<u>2,167,631</u>
	<u>78,612,950</u>	<u>55,894,782</u>	<u>110,873,512</u>	<u>86,807,301</u>
<b>Future taxation</b>				
Taxation equalisation account (overseas)	—	—	1,745,200	1,206,470
Taxation due 1st January 1972 or later	<u>605,000</u>	<u>839,000</u>	<u>1,076,546</u>	<u>1,216,179</u>
	<u>605,000</u>	<u>839,000</u>	<u>2,821,746</u>	<u>2,422,649</u>
<b>Outside interests in subsidiary companies</b>	—	—	3,946,953	3,724,281
<b>Loan capital (Note 7)</b>	78,376,649	55,026,931	135,706,969	88,593,579
<b>Subsidiary companies</b>				
Advances (without security)	9,548,639	9,126,680	39,250	49,250
<b>Provision for repairs, renewals of fixed plant and dilapidations (Note 8)</b>	252,317	282,869	570,307	306,348
<b>Current liabilities</b>				
Bank overdrafts	2,112,139	2,173,925	11,100,322	5,120,137
Creditors and accrued charges	2,343,733	1,888,222	7,885,139	4,190,414
Current taxation	1,068,987	815,847	4,977,687	2,100,082
Proposed final ordinary dividend	<u>2,904,941</u>	<u>1,522,526</u>	<u>2,904,941</u>	<u>1,522,526</u>
	<u>8,429,800</u>	<u>6,400,520</u>	<u>26,868,089</u>	<u>12,933,159</u>
	<u>£175,825,355</u>	<u>£127,570,782</u>	<u>£280,826,826</u>	<u>£194,836,567</u>



	M.E.P.C. LTD.		GROUP	
	1970	1969	1970	1969
	£	£	£	£
<b>Fixed Assets</b>				
Investment properties at valuation or at cost (Note 1)	60,035,039	56,671,545	242,133,292	152,661,268
Less: Provision for amortisation and depreciation (Note 2)	146,726	110,391	2,057,653	1,493,895
	59,888,313	56,561,154	240,075,639	151,167,373
Investment—£744,473 (Group: £853,858) nominal of the debenture stocks of the Group at cost. (Market value £409,700 (Group: £476,695) )	480,780	490,922	556,917	543,748
Capital redemption policies:				
at surrender values	334,597	315,009	334,597	315,009
at cost	2,210	—	228,860	1,763
Funds for re-investment held by debenture trustees	57,605	4,763	133,439	149,058
Office machinery, equipment and motor cars (Note 3)	70,133	63,120	270,879	179,536
	60,833,638	57,434,968	241,600,331	152,356,487
<b>Subsidiary companies (Note 4)</b>				
Shares at cost, (less amounts written off—£6,824)	73,059,338	24,688,743	761,520	115,820
Advances and dividends receivable	19,275,427	11,912,781	244,583	—
	92,334,765	36,601,524	1,006,103	115,820
<b>Interests in associated companies (Note 5)</b>				
	451,617	448,560	2,116,379	1,738,638
<b>Current assets</b>				
Properties of dealing subsidiaries at cost	—	—	4,932,642	1,806,242
Loans (secured)	2,336,462	1,141,180	3,419,376	2,273,632
Loans (unsecured)	3,000,000	1,500,000	3,000,000	1,500,000
Debtors for rents and sundry balances, less provision for doubtful debts	1,718,507	2,093,731	6,435,446	3,638,811
Tax reserve certificates	5,500,000	2,842,330	5,500,000	2,842,330
Short term deposits	9,650,000	25,449,125	12,385,464	27,514,635
Bank and cash balances	366	59,364	431,085	1,049,972
	22,205,335	33,085,730	36,104,013	40,625,622
 CHARLES E. M. HARDIE } RICHARD H. SHEPPARD } <i>Directors</i>				
	£175,825,355	£127,570,782	£280,826,826	£194,836,567

The notes on pages 16/21 form an integral part of the accounts



# Notes on the Balance Sheets

## Properties

	M.E.P.C. LTD.				GROUP			
	Freeholds	Long Leaseholds	Short Leaseholds	Total	Freeholds	Long Leaseholds	Short Leaseholds	Total
	£	£	£	£	£	£	£	£
Balance 1st October, 1969								
Valuation	36,560,050	15,935,920	2,472,550	54,968,520	90,384,832	27,365,760	3,768,350	121,518,942
Cost	1,546,333	151,782	4,910	1,703,025	28,762,853	2,372,313	7,160	31,142,326
Exchange adjustment	—	—	—	—	884,639	64,900	—	949,539
Additions during the year at cost	2,254,200	1,438,105	308,669	4,000,974	58,714,053	30,772,394	7,145,620	96,632,067
Changes in Allocation	1,027,000	—1,025,150	—1,850	—	2,863,714	—2,334,129	—529,585	—
	41,387,583	16,500,657	2,784,279	60,672,519	181,610,091	58,241,238	10,391,545	250,242,874
Deduct: Disposals	625,450	—	12,030	637,480	5,214,579	2,845,362	49,641	8,109,582
	40,762,133	16,500,657	2,772,249	60,035,039	176,395,512	55,395,876	10,341,904	242,133,292
Balance 30th September, 1970								
Valuation by the Directors in 1969	36,963,917	14,913,770	2,458,670	54,336,357	90,362,931	26,571,341	3,770,499	120,704,771
Cost	3,798,216	1,586,887	313,579	5,698,682	86,032,581	28,824,535	6,571,405	121,428,521
	£40,762,133	£16,500,657	£2,772,249	£60,035,039	£176,395,512	£55,395,876	£10,341,904	£242,133,292

## Freehold depreciation and leasehold amortisation

	M.E.P.C. LTD.		GROUP	
	Freehold Depreciation	Leasehold Amortisation	Freehold Depreciation	Leasehold Amortisation
	£	£	£	£
Balance 1st October, 1969	92,437	17,954	1,429,100	64,795
Exchange adjustment	—	—	50,040	—
Balances of new subsidiaries	—	—	14,793	70,000
Charged to revenue account	—	36,528	—	221,166
Appropriated out of profits	—	—	238,562	—
	92,437	54,482	1,732,495	355,961
Deduct: Disposals	—	193	21,282	9,521
Balance 30th September, 1970	£92,437	£54,289	£1,711,213	£346,440
	£146,726		£2,057,653	

## Office machinery, equipment and motor cars

	M.E.P.C. LTD.		GROUP	
	1970	1969	1970	1969
	£	£	£	£
Cost 1st October, 1969	124,311	105,611	301,029	144,177
Exchange adjustment	—	—	1,426	—
Additions	19,671	21,818	365,607	207,328
	143,982	127,429	668,062	351,505
Deduct: Disposals	4,176	3,118	106,964	50,476
Cost 30th September, 1970	£139,806	£124,311	£561,098	£301,029
Depreciation 1st October, 1969	61,191	52,982	121,493	70,957
Exchange adjustment	—	—	672	—
Balances of new subsidiaries	—	—	141,963	56,638
Charged to revenue account	11,224	10,409	53,385	32,321
	72,415	63,391	317,513	159,916
Deduct: Disposals	2,742	2,200	27,294	38,423
Depreciation 30th September, 1970	£69,673	£61,191	£290,219	£121,493
Net book value	£70,133	£63,120	£270,879	£179,536



# Notes on the Balance Sheets (continued)

## 4 Subsidiary companies not consolidated

In view of the situation in Rhodesia and the embargo on remittances to the United Kingdom the consolidated accounts do not include the profits earned by the wholly-owned Rhodesian subsidiaries since 1st October, 1969, the effective date of acquisition, nor their assets and liabilities except to the extent of the investment of the Parent Company therein which is as follows:

	£
£1 Ordinary shares at cost	645,700
Loan account	244,583
	<u>£890,283</u>

Net revenue of the Rhodesian subsidiaries for the year ended 30th September, 1970 before taxation amounted to £115,289 and the net revenue after taxation which would otherwise have been included in the group consolidated revenue account amounted to £61,147. (£1 = \$ Rh 1.72).

The accounts of Jeffery, Sons & Company, Limited, furnishers, a wholly-owned subsidiary, have not been included in the consolidated accounts because, in the opinion of the Directors, to do so would be of no real value to the members of the parent company in view of the insignificant amounts involved. The profit of Jeffery, Sons & Company, Limited from acquisition in January 1968 to 31st January, 1970 (the last date for which audited accounts have been prepared) which has not been dealt with in these accounts amounts to £2,620 before taxation.

## 5 Associated companies

Interests in associated companies are:

	M.E.P.C. LTD.		GROUP	
	1970	1969	1970	1969
	£	£	£	£
Shares (unquoted) at cost	3,030	1,066	710,117	588,897
Loans less provisions	448,587	447,494	1,406,262	1,149,741
	<u>£451,617</u>	<u>£448,560</u>	<u>£2,116,379</u>	<u>£1,738,638</u>

Shareholdings in associated companies are as follows:

	Percentage of issued ordinary capital
HELD BY M.E.P.C. LIMITED:	
Currie Investments Limited	25%
M.E.P.C. (Glasgow) Limited	50%
M.E.P.C. (Wembley Properties) Limited	50%
HELD BY SUBSIDIARY COMPANIES:	
Broseley Investment Company Limited	44%
Bredwood Investments Limited	27%
County Palatine Developments Limited	27%
Lowton Construction Group Limited	50%
Metrolands-Victoria Investments Limited and Subsidiary	50%
Milbury Holdings Limited	23%
M.R.C.E. Limited	50%
Newton Street Investments Limited	50%
Edifice Montcalm Inc. (registered in Canada)	50%
Middle Harbour Investments Limited (registered in Australia)	25½%

In the opinion of the directors the current value of the shares held in associated companies is approximately £1,400,000 in excess of book value.



# Notes on the Balance Sheets (continued)

## 6 Capital reserves

	M.E.P.C. LTD. £	GROUP £
Balance 1st October, 1969	35,839,769	66,042,779
Surpluses:		
Premium on capital issued to acquire subsidiaries	17,138,638	17,138,638
Difference on exchange rates	—	152,230
Realisation of properties and sundry credits less capital gains tax	17,416	395,306
Purchases of debenture stock for redemption	17,989	186,485
Taxation allowances	56,308	163,080
	<u>53,070,120</u>	<u>84,078,518</u>
Deduct:		
Appropriated to scrip issue of ordinary shares	1,691,695	1,691,695
Capital issue expenses	86,769	145,665
	<u>£51,291,656</u>	<u>£82,241,158</u>
Balance 30th September, 1970		

No provision has been made for tax on capital gains which might become payable in the event of future sales of properties at the amounts at which they are included in the accounts. The tax, if any, which might arise would, with the exception of one subsidiary (see below), be chargeable only on that part of the capital gain attributable to the period since 6th April, 1965; in the opinion of the directors it is not practicable to quantify the amount.

In the event of the sale of the properties of one subsidiary company, tax would be payable on the difference between the cost to the subsidiary and the realised amount. The properties of that subsidiary are included in the group accounts at £8,330,774 in excess of cost.

If any such tax liabilities arise on a sale of the properties it would be the directors' intention to charge such liabilities to capital reserve and a sufficient balance will be retained in the reserve to meet such contingent liabilities.

## 7 Loan capital

	M.E.P.C. LTD.		GROUP	
	1970 £	1969 £	1970 £	1969 £
Secured				
*4% First mortgage debenture stock 1996	2,757,425	2,821,344	2,757,425	2,821,344
*5 $\frac{3}{4}$ % First mortgage debenture stock 1984/89	4,944,045	5,000,000	4,944,045	5,000,000
*6 $\frac{3}{8}$ % First mortgage debenture stock 1997/2000 (a)	10,872,000	11,059,000	10,872,000	11,059,000
3 $\frac{1}{2}$ % Debenture stock 1965/78	—	—	120,000	120,000
5 $\frac{3}{4}$ % First mortgage debenture stock 1985/90	—	—	2,500,000	2,500,000
6 $\frac{1}{2}$ % First mortgage debenture stock 1985/90	—	—	500,000	500,000
*6 $\frac{1}{4}$ % First mortgage debenture stock 1986/91	—	—	1,908,316	1,932,671
*6 $\frac{1}{4}$ % First mortgage debenture stock 1986/91	—	—	1,901,504	1,930,010
*6 $\frac{1}{4}$ % First mortgage debenture stock 1986/95	—	—	5,528,601	—
6% First mortgage debenture stock 1987	—	—	950,000	950,000
*3 $\frac{1}{4}$ % First mortgage debenture stock 1989	—	—	3,637,783	—
*7 $\frac{1}{4}$ % First mortgage debenture stock 1991/95	—	—	2,464,128	—
*7 $\frac{3}{8}$ % First mortgage debenture stock 1992/96	—	—	2,500,000	—
*First mortgage debenture 1992	—	—	4,243,805	3,992,331
*6 $\frac{3}{8}$ % First mortgage sinking fund bonds 1982	—	—	897,600	928,846
*5 $\frac{7}{8}$ % First mortgage sinking fund bonds 1983	—	—	1,163,526	1,170,698
*6 $\frac{3}{8}$ % First mortgage sinking fund bonds 1983	—	—	207,400	209,038
*6 $\frac{3}{8}$ % First mortgage sinking fund bonds 1987	—	—	1,137,907	1,137,756
*7 $\frac{1}{8}$ % First mortgage sinking fund bonds 1988	—	—	814,939	823,825
*8 $\frac{1}{2}$ % First mortgage sinking fund bonds 1991	—	—	1,600,000	1,538,462
*8% Sinking fund debentures 1991	—	—	2,800,000	2,692,308
Mortgages (c)	1,146,585	1,151,081	23,601,396	14,291,784
Unsecured				
8% Unsecured loan stock 2000/5	10,230,062	2,614,506	10,230,062	2,614,506
5% Convertible unsecured loan stock 1989/94 (b)	47,676,532	31,631,000	47,676,532	31,631,000
7 $\frac{3}{8}$ % Unsecured loan repayable 1972	750,000	750,000	750,000	750,000
	<u>£78,376,649</u>	<u>£55,026,931</u>	<u>£135,706,969</u>	<u>£88,593,579</u>

\*The debenture stocks marked with an asterisk are wholly or partly redeemable through annual purchases, or by drawings out of yearly sinking fund instalments.



# Notes on the Balance Sheets (continued)

## 7 Loan capital (continued)

(a) Stockholders of £720,000 of 6 $\frac{3}{8}$ % first mortgage debenture stock 1997/2000 have the right to convert 10 per cent of such stock into ordinary shares of the Company at 9s. 6·545d. per share, in December 1970.

(b) The 5% unsecured convertible loan stock 1989/94 is convertible into ordinary shares of the Company at 25s. 10·9d. per share in any of the years from 1974 to 1988 inclusive.

(c) The number of mortgages is such that to give full particulars of the repayment terms and interest rates would, in the opinion of the directors, result in a statement of excessive length. The following summary provides a general indication of these particulars:

	M.E.P.C. LTD.		GROUP	
	1970 £	1969 £	1970 £	1969 £
Repayable in full in less than 5 years				
Interest 4%—5 $\frac{3}{4}$ %	—	—	743,000	765,500
Interest 6%—7 $\frac{3}{4}$ %	80,000	80,000	294,073	347,807
Interest 8%—9 $\frac{1}{2}$ %	—	—	1,388,662	1,234,059
Repayable in full after more than 5 years but less than 10 years:				
Interest 4%—5 $\frac{3}{4}$ %	59,585	64,081	59,585	64,081
Interest 6%—7 $\frac{3}{4}$ %	775,000	775,000	1,404,580	1,366,083
Repayable in full after more than 10 years:				
Interest 4%—5 $\frac{3}{4}$ %	—	—	654,348	662,618
Interest 6%—7 $\frac{3}{4}$ %	232,000	232,000	17,132,585	9,164,583
Interest 8%—9 $\frac{1}{2}$ %	—	—	1,924,563	687,053
	<u>£1,146,585</u>	<u>£1,151,081</u>	<u>£23,601,396</u>	<u>£14,291,784</u>

## 8 Provision for repairs, renewals of fixed plant and dilapidations

	M.E.P.C. LTD.	GROUP
	£	£
Balance 1st October, 1969	282,869	306,348
Balances of new subsidiaries	—	296,977
Charged to revenue account	160,572	1,039,494
	<u>443,441</u>	<u>1,642,819</u>
Expenditure (less recovered from tenants)	191,124	1,072,512
	<u>£252,317</u>	<u>£570,307</u>

Deferred expenditure of £74,364 at 1st October, 1969, and £55,796 at 30th September, 1970, was set-off against the group provision.



# Notes on the Balance Sheets (continued)

## 9 M.E.P.C. Canadian Properties Limited—share options

At 30th September, 1970 share purchase warrants entitling the holders to purchase common shares in M.E.P.C. Canadian Properties Limited were outstanding as follows:—

Exercisable	Entitlement	Price per share
Before 30th June, 1976	104,655 shares	\$3.50
Before 31st October, 1976	700,000 shares	\$6.00
Before 31st December, 1976	40,000 shares	\$7.25

Executives of M.E.P.C. Canadian Properties Limited have other options to purchase 20,000 common shares at \$4.50 not later than 31st July, 1974.

The total interest of minority shareholders in this subsidiary will be 45% approximately if the rights and options are exercised in full, compared with 32½% at 30th September, 1970.

## 10 Exchange rate

The assets, liabilities and results of subsidiary companies have been converted into sterling at the following rates:

CANADA	£1 = \$(Can.) 2.50
AUSTRALIA	£1 = \$(A) 2.15
ZAMBIA	£1 = K 1.7123

## 11 Capital commitments

Capital commitments for which provision has not been made in these accounts amount to:

	M.E.P.C. LTD.		GROUP	
	1970	1969	1970	1969
	£	£	£	£
Contracted	1,800,000	280,000	7,300,000	6,034,000
Authorised but not contracted	9,200,000	2,633,000	53,500,000	3,203,000

## 12 Contingent liabilities

There are contingent liabilities for:

- Uncalled capital investments in subsidiary companies amounting to £953,549.
- Guarantees given by the company and its subsidiary companies to secure monies borrowed by other subsidiary companies amounting to £2,151,000.
- Guarantees given by a subsidiary company to secure monies borrowed by associated companies amounting to £603,725.

Notes on the  
Balance Sheets (continued)

13 Principal subsidiary companies

UNITED KINGDOM

Wholly owned subsidiary companies:

Avondown Properties Limited  
The Bletchley Property Company Limited  
Elom Properties Limited  
Finsbury Circus Estates Limited  
Furlong Properties Limited  
The House and Land Syndicate Limited  
Jeffery, Sons & Company, Limited  
Kingpost Investment Company Limited  
Kingsley Investment Trust Limited  
The London County Freehold and Leasehold Properties Limited  
(Wholly owned subsidiaries:  
    Lonco Developments Limited  
    London County Properties Developments Limited)  
London Land & Property Company Limited  
The Manchester Commercial Buildings Company Limited  
M.E.P.C. (Developments) Limited  
M.E.P.C. (Liverpool) Limited  
M.E.P.C. (Pentyrch) Limited  
Metrolain Properties Limited  
Metropolitan Commercial Property Investments Limited  
The Metropolitan Railway Surplus Lands Company Limited  
(Wholly owned subsidiaries:  
    Metrolands (Holloway) Limited  
    Ortem Estates Limited  
    King's Head Hotel (Darlington) Limited  
    T. M. Locke Limited)  
St. Mary's Estate Limited  
Surrey Shop Holdings Limited  
Town Holdings Limited  
Town Investments Limited  
Twenty Albert Embankment Limited  
Waddon Investments Limited  
Wesley Estates Limited

Partly owned subsidiary companies:

	Proportion of Ordinary Capital held
Oxenford Properties Limited	67%
Percy Street Investments Limited	67%
Property Development Consortium Limited	84½%
Threadneedle Property Company Limited	65%
(Wholly owned subsidiary: Tudor Properties (Bramhall) Limited)	

OUTSIDE THE UNITED KINGDOM

Incorporated in Canada:	
*M.E.P.C. Canadian Properties Limited (and subsidiaries) 365 Bay Street, Toronto 1 (President: P. A. Anker, F.R.I.C.S.)	67¼%
*United Kingdom Properties Limited	100%
Incorporated in the Republic of Ireland:	
M.E.P.C. (Ireland) Limited (and subsidiaries)	90%
Dublin City Properties Limited, 3 Fade Street, Dublin 2 (Managing Director: A. Kennedy Kisch, M.A.)	93%
Incorporated in Australia:	
London County Properties of Australia Limited	100%
M.R.S.L. Pty. Limited (and subsidiaries)	100%
Incorporated in Rhodesia:	
London County Properties of Rhodesia (PVT) Limited	100%
Incorporated in Zambia:	
London County Properties of Africa Limited	100%

*Non-operating subsidiaries and subsidiaries which do not materially affect the profit or the assets of the group, have been excluded from the above statement.*

\*The Canadian subsidiaries have been merged since 30th September 1970 as a result of which M.E.P.C. has a 71% interest in the new Group.



# Report of the Auditors

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We have audited the books and records of Metropolitan Estate and Property Corporation Limited for the year ended 30th September, 1970. The foregoing accounts have been properly prepared in accordance with the provisions of the Companies Acts, 1948 and 1967. Certain of the subsidiaries have been audited by other firms of accountants.

In our opinion these accounts give a true and fair view of the state of affairs of the company, and of the state of affairs and profit of the company and its subsidiaries so far as concerns the members of the company.

THOMSON McLINTOCK & CO.  
*Chartered Accountants*

33, King William Street,  
London, E.C.4.

8th December, 1970

Comparative Information 1961-1970 (in £'000)

Group revenue account	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Gross revenue	2,561	4,151	4,499	4,932	5,552	6,409	7,509	8,854	12,987	25,496
Revenue before taxation	1,548	2,380	2,552	2,630	2,957	3,325	3,767	4,440	5,692	9,065
Taxation	799	1,271	1,336	1,367	1,554	1,566	1,458	1,747	2,535	3,836
Revenue available for ordinary dividends and reserves	696	1,036	1,125	1,157	1,266	1,589	2,070	2,392	2,859	4,896
Ordinary dividends	629	891	985	985	1,035	1,329	1,838	1,877	2,199	4,115
Rate of ordinary dividends (Note 2)	8.2%	8.6%	9.5%	9.5%	10.5%	10.5%	10.9%	11.1%	11.8%	17.0%

Group balance sheet										
Investment properties (at book value)	31,800	46,507	50,368	55,349	58,332	66,076	73,524	82,912	152,661	242,133
Loan capital	6,779	13,645	15,001	21,122	24,804	28,879	34,097	41,049	88,594	135,707
Share capital and reserves:										
Ordinary capital	7,939	15,319	15,319	15,319	15,319	15,319	15,319	15,319	16,917	24,208
Preference capital	1,525	2,025	2,025	2,168	2,168	2,168	2,168	2,168	2,168	2,168
Capital reserves	14,899	13,253	13,329	13,192	14,004	14,535	14,727	15,416	66,042	82,241
Revenue reserves	466	552	615	668	771	868	897	1,154	1,680	2,257
Total share capital and reserves	24,829	31,149	31,288	31,347	32,262	32,890	33,111	34,057	86,807	110,874

Notes

1 Because of the provisions of the Finance Act, 1965, the figures given for 1966 to 1970 in respect of taxation, revenue available for ordinary dividends and reserves and ordinary dividends are not comparable with earlier years.

2 The rates of ordinary dividends have been adjusted for scrip issues.

3 The increases in the issued ordinary share capital resulted from the following (in £'000) :—

	1962	1969	1970
Conversion of debentures	45	508	98
Scrip issue (1 for 2)	3,969		
Scrip issue (1 for 10)			1,692
Acquisition of subsidiary companies	3,366	1,090	5,501
	7,380	1,598	7,291





Office development in Dublin — the Georgian facade of the left and property has been preserved and integrated in the development.

Office property at Vancouver, B.C. →

Office property at Broad Quay Bristol.























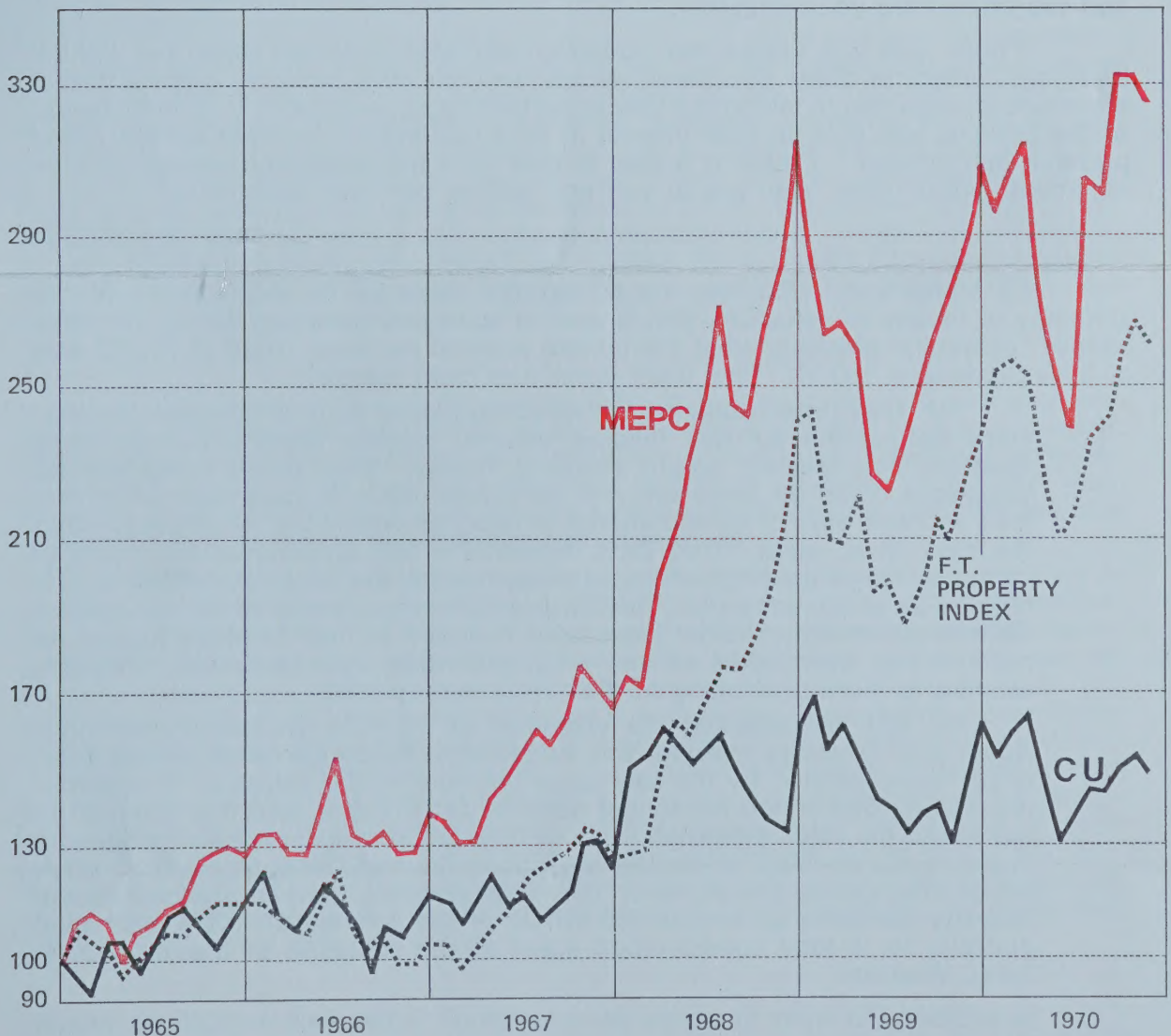
This Document is important and requires your immediate attention.



# METROPOLITAN ESTATE AND PROPERTY CORPORATION LIMITED

**Why you should reject the CU proposals**

COMPARISON OF MEPC ORDINARY SHARE PRICES WITH CU ORDINARY SHARE PRICES AND  
FINANCIAL TIMES PROPERTY INDEX 1965-1970  
(1st January, 1965 = 100)



**VOTE AGAINST THE PROPOSALS BY SIGNING  
IN THE RED SQUARE ON ALL THE PROXY  
FORMS AND RETURN THEM NOW**



This letter has been approved for issue by a duly authorised Committee of the Board of MEPC. The Directors present at the relevant Committee meeting have considered all statements of fact and opinion contained in this letter and accept, collectively and individually, responsibility for the accuracy of all such statements of fact so far as relating to MEPC or its subsidiaries or Directors and for the *bona fides* of any opinions expressed herein by or on behalf of MEPC or its Directors and confirm that to the best of their knowledge, information and belief no material factors or considerations have been omitted. The information contained in the Scheme document, dated 25th November, 1970 relating to shareholdings and service agreements of Directors of MEPC remains unchanged.

## METROPOLITAN ESTATE AND PROPERTY CORPORATION LIMITED

### Directors:

Sir Charles E. M. Hardie, C.B.E., F.C.A. (*Chairman*)  
R. H. Sheppard, F.R.I.C.S. (*Managing*)  
A. Kennedy Kisch, M.A. (*Deputy Chairman*)  
R. J. Dickinson, M.A.  
W. E. Philp, F.R.I.C.S.  
J. C. Hawkes, F.R.I.C.S.  
M. R. Creasey, F.R.I.C.S.  
Bernard Dufton, F.C.A.  
The Hon. Angus Ogilvy  
P. A. Anker, F.R.I.C.S.  
W. M. Balch, F.R.I.C.S.  
R. G. Dashwood, M.A., F.R.I.C.S.  
N. E. Knifton, F.R.I.C.S.

A. L. Crowe, F.C.A. (*Secretary*)

Brook House,  
113, Park Lane,  
London,  
W1Y 4AY



3rd December, 1970

*To the Shareholders and Convertible Loan Stockholders.*

Dear Sir or Madam,

### PROPOSED SCHEME OF ARRANGEMENT

You will by now have received at least three documents, one of them a very bulky one which sets out the proposed Scheme and two rather shorter ones, one from the Chairman of the Commercial Union Assurance Company Limited ("CU") and the other from your Directors.

I hope you will forgive me troubling you with a further letter, but I think there are matters in these documents which, in your own interests, require further comment to assist you in taking the very important decision whether to vote in favour of the Scheme and give up your interest in your Company or to vote against it and preserve that interest. I think it is best to deal with the matter by summarising the arguments which have been put to you and adding our own comments.

#### 1. Arguments by CU

(i) **Valuation.** CU has stated, on the basis of its examination of the summary of review of valuation, that it and its surveyors have concluded that they cannot "determine precisely what the current realistic net asset value of MEPC was at 30th September 1970". They have given two main reasons:—

(a) They have impugned the valuation placed upon the current development programme by two leading valuers, namely Messrs. Jones, Lang, Wootton and Messrs. Knight Frank & Rutley. Your Board considers the valuations made by these firms to be conservative, in particular since they take account only of developments in hand or which will be started within the next three years. They have included a full estimate of the costs to complete these developments but they assume that the developments will only be let at current rents. The 33 development schemes which the valuers did not separately consider have been included at their book value and no account has been taken of any additional value due to special situations existing in respect of many of the Group's properties.

(b) CU has attacked the valuation of MEPC's residential properties. Again your Directors consider this valuation to be conservative, as has been amply demonstrated by the sale since the date of the valuation of approximately one fifth of the residential portfolio for £10.5m., which is some £1m. more than the value attributed to those flats in the overall review of valuation. Indeed since the date of my last letter your Directors have received an offer, which after careful consideration they have rejected, from another substantial property company to acquire the whole of the balance of LCF's residential portfolio for a total consideration equal to the valuation of Messrs. Jones, Lang, Wootton.

In addition CU refers to capital gains taxation. In the main no such tax would be payable as your Company will retain its properties. In respect of the residential properties which are to be sold the chargeable gains will be small as the taxable profit will be calculated on a time apportionment basis and the bulk of these properties have been held for considerable periods.

(ii) **Acquisition of Hill Samuel Group Limited ("Hill Samuel").** As you know, a proposal was put forward earlier this year for your Company to acquire Hill Samuel. This proposal has been abandoned. Whether this was the best possible way of enhancing your Company's future growth may, with the benefit of hindsight, be open to question and the proposal would in any event have been placed before shareholders for their approval. However it is important to realise that this proposal



would have preserved intact your predominant interest in your Company's property portfolio which the CU proposal virtually destroys. Furthermore, the merger with Hill Samuel is now a dead issue and cannot be a reason for abandoning your interest in MEPC as a property company in favour of an investment in the much riskier business of insurance.

(iii) **Taxation.** It is suggested by CU that if it acquires the properties of MEPC there will be considerable tax savings. This will be true only if the properties are transferred to CU's life funds. In that event none of the benefit of those savings will accrue to you as shareholders. Moreover 97 per cent. of the profits arising from your properties would then go to the policy holders and existing shareholders of CU. This is therefore not a good reason for you to agree to the takeover. Furthermore you will realise that the actions of the present government in reducing the levels of both corporation tax and income tax have had a particularly beneficial effect on the fiscal position of property companies.

(iv) **Income.** It is of course true that CU's proposals would lead to a sizeable increase in income for ordinary shareholders. This is to be expected when over half that income comes from an unsecured loan stock and the bulk of the balance consists of dividends on CU ordinary shares. CU's high yield reflects the market's view of the risks of investing in CU's shares and its lower growth potential compared with that of your Company. Over the past ten years the dividends paid by your Company have more than doubled whereas CU's dividends have increased by only a third.

CU's proposals would involve convertible loan stockholders receiving a lower income than ordinary shareholders. At the moment, of course, they receive a higher one.

## **2. Arguments by Trafalgar House Investments Limited ("Trafalgar")**

The Chairman of Trafalgar has not addressed a letter to you, but in his letter to his own shareholders he says that the principal effects of the Scheme would be to increase Trafalgar's property holdings, asset value per share and potential earnings per share. With this I would agree for, as Appendix 8 of the Scheme document makes clear, if the Scheme goes through CU has agreed to sell to Trafalgar all MEPC's residential property at its "value for investment purposes", which is at least 30 per cent. below its value on the open market. The gain to Trafalgar and the loss to MEPC from such a purchase is likely to be well over £10m. and this is demonstrated by Trafalgar's valuation of our residential properties at £30m. against the value of £42m. placed on them by the independent valuers referred to above. Indeed the residential property recently sold on your behalf for £10.5m. would have had an investment value of at most £6m. The gain to Trafalgar from the Scheme would thus be a direct loss to MEPC and cannot, therefore, be in your interests.

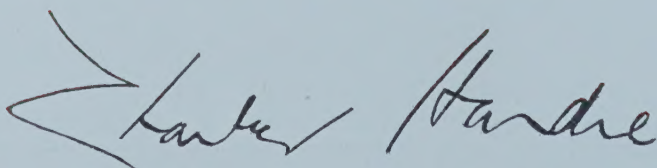
## **3. Arguments for retaining your Investment in MEPC**

MEPC is one of the two largest property companies in the U.K. and provides an investment with a proved growth record and a great potential for future growth which is essential in current inflationary conditions. It has a very substantial portfolio of the highest class with particular emphasis on office properties in the City and West End of London. Its income will benefit both from a continuing flow of reversions and from the fulfilment of the development programme.

In contrast the Scheme proposes to substitute for your existing investment a number of different securities in CU, some of which are of a fixed interest nature. The shareholders of CU are particularly exposed to the effects of inflation since rising claims on the funds of insurance companies notoriously outrun the rate of increase of premium income. The proposed investment in Trafalgar accounts for only about one-seventh of the total offer and it is, therefore, necessary to concentrate on the substance of the matter which is an exchange of your investment in MEPC for a stake in CU. You have only to look at the charts which appear on page 4 of this document to see that CU's record of growth both in terms of profits and of net worth is far inferior to that of MEPC and in an inflationary age is, in the opinion of your Directors, likely to continue to be inferior. The chart on the cover shows that the share prices of MEPC and CU between 1965 and 1970 have reflected the performance of the two companies and that MEPC's share price has consistently outperformed the Financial Times Property Index.

**Accordingly, your Directors together with your Company's financial advisers, N. M. Rothschild & Sons Limited, recommend you, in your own best interests, to retain your growing investment in MEPC and to vote against the proposed Scheme (if you have not already done so) by signing all the proxy forms you have already received in the red square and returning them forthwith.**

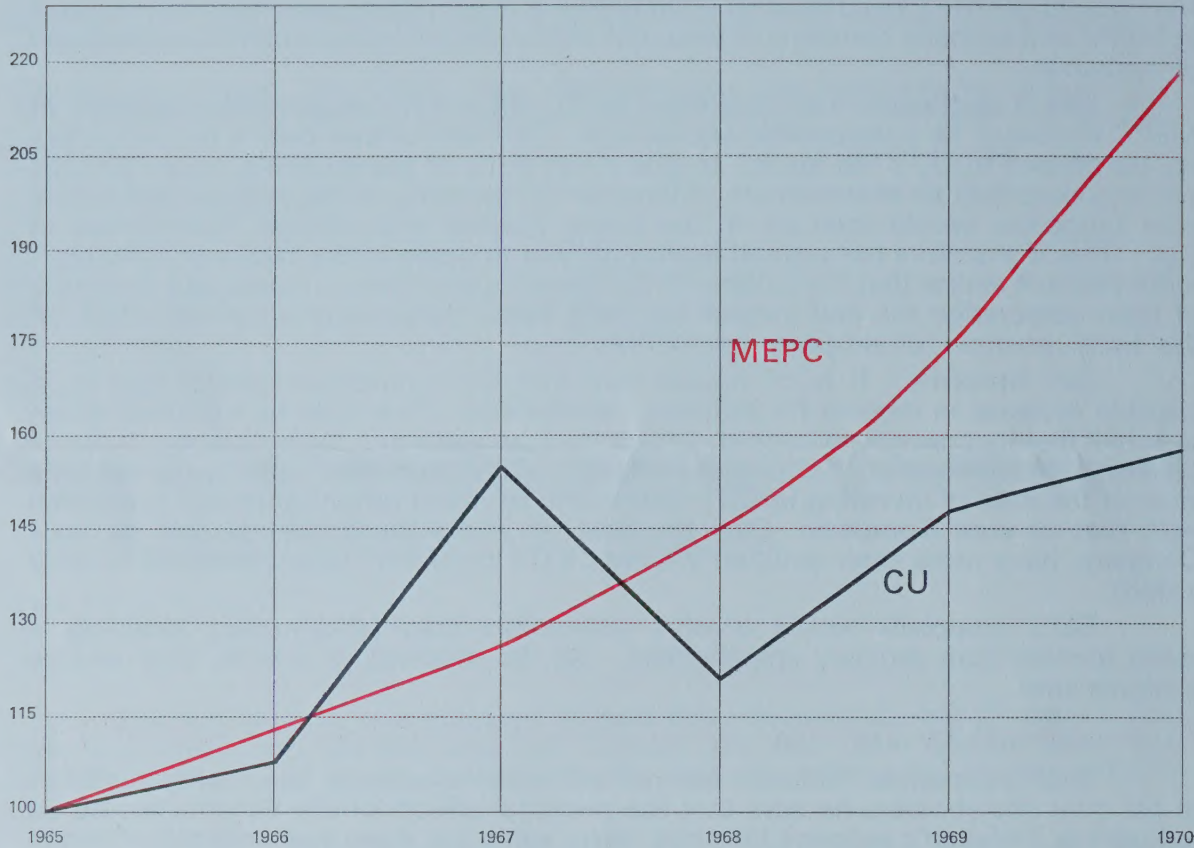
Yours faithfully,



Chairman.

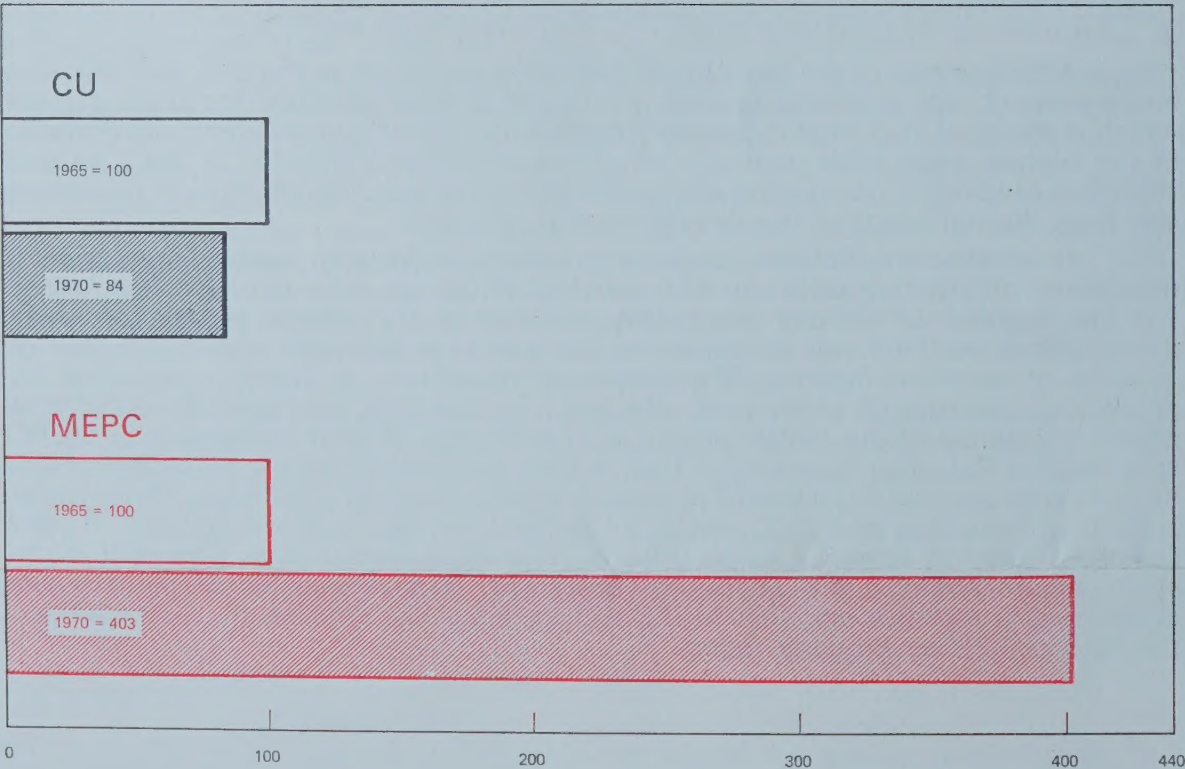


COMPARISON OF PROFITS BEFORE TAX PER ORDINARY SHARE OF MEPC AND CU 1965-1970  
(1965 = 100)



The above chart has been based in the case of MEPC on the profits before taxation shown by the audited consolidated accounts for the five years to 30th September, 1969 and in respect of the year to 30th September, 1970 on the profits before taxation as shown in the preliminary announcement made by MEPC on 27th November, 1970. In the case of CU the chart has been based on the profits before taxation shown by the audited consolidated accounts of CU for the five years to 31st December 1969 and in respect of the year to 31st December, 1970 on the profits before taxation forecast by the Board of CU in respect of that year. In each case the amounts required to service preference dividends and attributable to minority interests have been deducted, after making the necessary tax adjustments.

COMPARISON OF INCREASE IN NET WORTH PER SHARE OF MEPC AND CU 1965-1970



The above chart has been based on the audited consolidated accounts of MEPC and CU. The 1970 figures are based on the accounts for the years ended 30th September, 1969 and 31st December, 1969 respectively, adjusted in the case of MEPC to take account of the review of valuation, details of which are set out on pages 12 and 13 of the Scheme document, and in the case of CU to take account of the fall in the value of its investment portfolio referred to on page 18 of the Scheme document.